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INSURANCE DISCOUNT: DRIVING COURSES

HOUSE BILL 5243 (H-3)
First Analysis (6-4-86)

Sponsor: Rep. John Cherry
Committee: Insurance

THE APPARENT PROBLEM:

The American Association of Retired Persons (AARP) advocates a reduction in automobile insurance premiums for drivers aged 55 and over who complete a state-approved driver education course as an incentive for older drivers to undertake instruction geared toward offsetting the special problems facing drivers as they age. These courses help drivers understand how the physical changes people undergo as they age can affect driver competence. An AARP position paper says:

The gradual failure of sensory acuity associated with aging reduces the quantity and accuracy of information capable of being processed. This reduces the ability of the individual to respond or react to his environment with the speed and judgment current traffic often requires.

The paper cites deterioration in vision, hearing, and muscle tone as affecting the competence of older drivers, and notes that "older drivers have problems when involved in driving situations requiring quick response, full vision and interaction with other drivers." Typical violations include failure to yield right of way, improper turning, incorrect lane changing, passing, and entering and leaving expressways.

Further, many older drivers have never had a driver education course at all and could benefit from general instruction about defensive driving. The AARP notes that when one takes the amount of driving performed into account, "drivers 55 and older have a poorer accident record than drivers in their middle years." Eighteen states have enacted laws to provide for premium reductions for older people who take driver improvement courses (including some states that allow reductions regardless of age) in recognition of the contribution to traffic safety such instruction can make.

THE CONTENT OF THE BILL:

The Insurance Code limits the factors on which companies selling automobile insurance can base their rates. The bill would permit rates to be based on the successful completion by a policyholder of an accident prevention education course that met certain criteria. The course would have to include a minimum of eight hours of classroom instruction and would have to review at least the following: the effects of aging on driving behavior; the shapes, colors, and types of road signs; the effects of alcohol and medication on driving; the laws relating to the proper use of a motor vehicle; accident prevention measures; the benefits of safety belts and child restraint; major driving hazards; and interaction with other highway users, such as motorcyclists, bicyclists, and pedestrians (MCL 500.2111).

ARGUMENTS:

For:

The promise of lower automobile insurance rates could be a powerful incentive for people, especially older people, to undertake a driver education course, and taking the course should improve the driving habits and safety records of drivers. While the bill does not require insurance companies to lower rates for drivers who complete a special course and also does not specify that the reduction is for older drivers, proponents of special reductions for older drivers hope that competitive pressures in the insurance marketplace will lead to the adoption of premium discounts by automobile insurers. As pointed out elsewhere, older drivers are in particular need of special driver education programs because of the effects of aging on driver competence. These programs are available to older drivers now, including one sponsored by the AARP, and this bill will help to encourage participation in them.

Against:

The bill is unnecessary because the Insurance Code already allows an insurance company to use a factor not specifically listed in the code if it can demonstrate to the insurance commissioner that the factor "would encourage innovation, would encourage insureds to minimize the risk of loss from hazards insured against, and would be consistent with purposes" of the rating laws. So, if a company can establish that its loss experience warrants a reduction in premiums for drivers who have taken a driver improvement course, it could establish such a premium reduction plan. However, according to the Insurance Bureau:

There are no studies, statistics, or other sources which document a positive relationship between an accident prevention course and an improved driving record. Available studies show no drop in accidents following the completion of an accident prevention course.

Response: The bill would represent an explicit policy statement that insurance companies could, if they desired, reduce premiums for drivers who had completed a driver education course. The use of such a factor would then be up to the insurance companies, not the insurance commissioner.

Against:

The code should mandate a premium reduction for drivers 55 and over who take an approved driver education course.

Response: There should be no mandatory reduction of rates without statistical evidence that it is justified based on companies' loss experience. Further, to limit such a discount to people 55 or over (or 65 and over, as some recommend) would be age discrimination unless there was sufficient

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justification for it. Besides, there are already mandated premium discounts in the insurance code for senior citizens 65 years of age who drive fewer than 3,000 per year, and insurers can institute alternative senior citizen discount plans.

POSITIONS:

The Secretary of State's Office supports the bill (5-30-86).

The Office of Services to the Aging supports the bill (6-3-86).

The Insurance Bureau does not oppose the substitute bill (5-21-86).

The American Association of Retired Persons (Michigan State Legislative Committee) supports the bill (6-3-86).

The Automobile Club of Michigan supports the substitute bill (6-3-86).